



Kenya

trade chilling?

ARE INTRA- AFRICA EXPORTS HAMPERED BY HIGH TARIFFS?

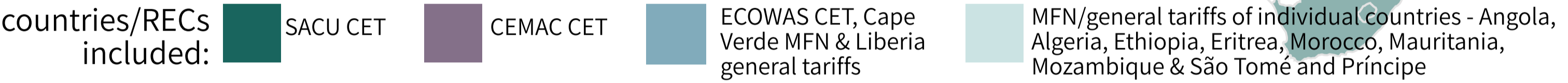
For 2019, 19 per cent of Kenya's total trade was with other African countries. Mostly with countries in the same free trade area (COMESA FTA) or customs union (EAC). Limited exports to African countries outside these trade arrangements might be attributed to high Most Favoured Nation (MFN) or general tariffs in destination markets. Kenya's exports to these African countries might be 'chilled' by high tariffs.

A trade chilling exercise reveals products where trade is low due to high tariffs. This identifies products for tariff liberalisation under the African Continental Free Trade Agreement (AfCFTA) negotiations. Trade and tariff data used is from the International Trade Centre (ITC) TradeMap and MacMap. The trade data used is the 3-year average (2017-2019), by product (HS6), in US\$ millions:

- Kenya's supply potential - Kenya's world exports
- Demand potential - World imports by African countries outside the COMESA FTA & EAC
- Existing trade - Trade between Kenya and the African countries outside the COMESA FTA & EAC
- The latest available MFN or general tariffs (mainly 2019) of the African countries outside the COMESA FTA & EAC. The average of these tariffs over the destination markets were used

The analysis eliminated the following data:

- Kenya's exports to the world and the world imports by the specified African countries less than US\$1 million. This denotes initial supply and demand conditions.
- Kenya's exports to the specified African countries and their imports from Kenya more than US\$100 000. This denotes the products in which there is currently limited to no trade.
- Kenya's world exports and the world imports by the specified African countries less than US\$3 million.



RESULT of the ANALYSIS

all African countries outside the COMESA FTA & EAC

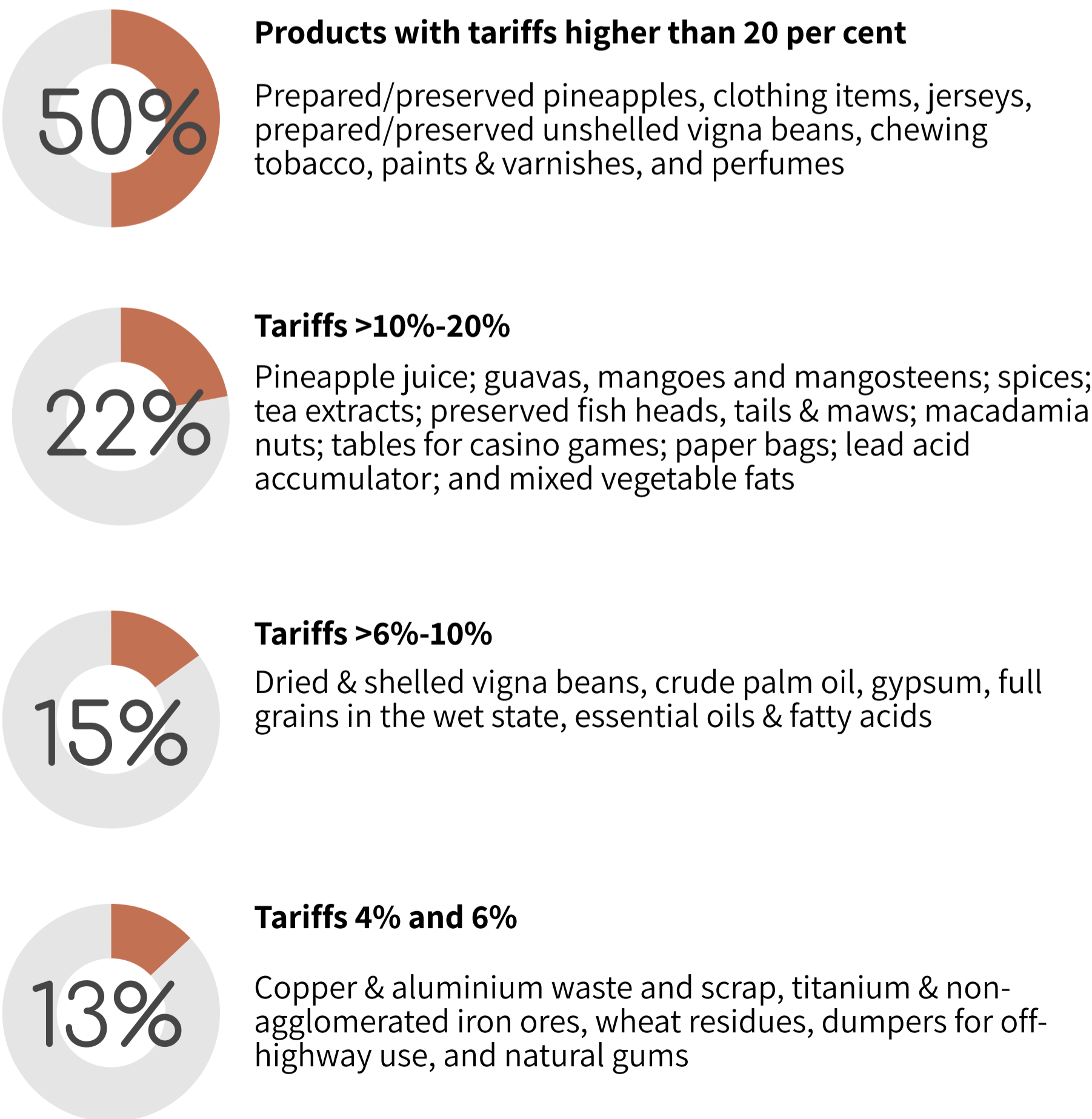
The initial analysis is of the tariff and trade data for Kenya and the group of African countries outside the COMESA FTA & EAC. 46 products show supply and demand potential. The average tariff for these products in the destination markets is mostly higher than 10 per cent. Half has an average tariff higher than 20 per cent. 0.2 per cent of Kenya's world exports of the 46 products are to the African country group. 0.1 per cent of world imports by the African country group are sourced from Kenya. High tariffs on and low trade values of most products indicate trade chilling.

Products facing high tariffs in destination markets include pineapples, clothing items, beans, tobacco, spices, macadamia nuts, and paints and varnishes. Some may be sensitive goods. This can also be the case under the AfCFTA negotiations. Examples: pineapples (South Africa), clothing items (most African countries), and tobacco.

Manufacturing of paint and varnishes in numerous African countries (especially west Africa) are increasingly being protected by high import tariffs.

7 products have an average African tariff of 6 per cent and lower. Most show good existing supply (Kenya) and demand (African countries outside COMESA FTA & EAC) and low tariffs but hardly any trade. The products include copper & aluminium waste and scrap, bran sharps, and iron and titanium ores.

If tariffs are not impeding trade what are the obstacles?



trade with CEMAC, ECOWAS & SACU

CEMAC

Supply & demand potential and the CEMAC CET show exports of 83 products from Kenya & CEMAC are chilled by 30% & 20% duties

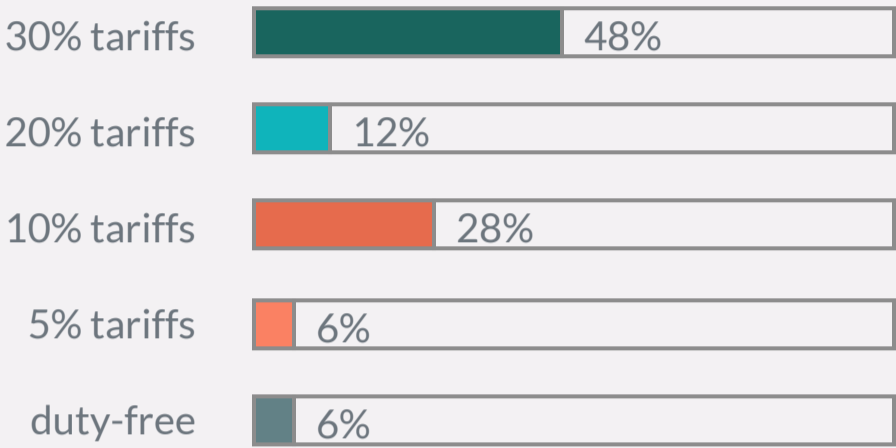
Products high tariffs

t-shirts, dried peas, whiskies, palm oil, sugar confectionery, footwear, margarine, onions, beer, Portland cement, salts & steel products

BUT: some of these products may be sensitive

t-shirts, footwear, cement, sugar confectionery, chewing gum & beauty products

Products where high tariffs are **NOT** obstacles
gypsum, insecticides, vaccines, medicines, printed books & fertiliser inputs



ECOWAS

108 products show potential for trade between Kenya & ECOWAS. 34 products have tariffs between 18% & 52%.

Products with potential

beer, flaked soap, surface agents, sugar confectionery, spices, and glass flasks.

Tariffs in the ECOWAS market range from 18% (flasks) to 33% (flaked soap & surface agents), and 48% (beer).

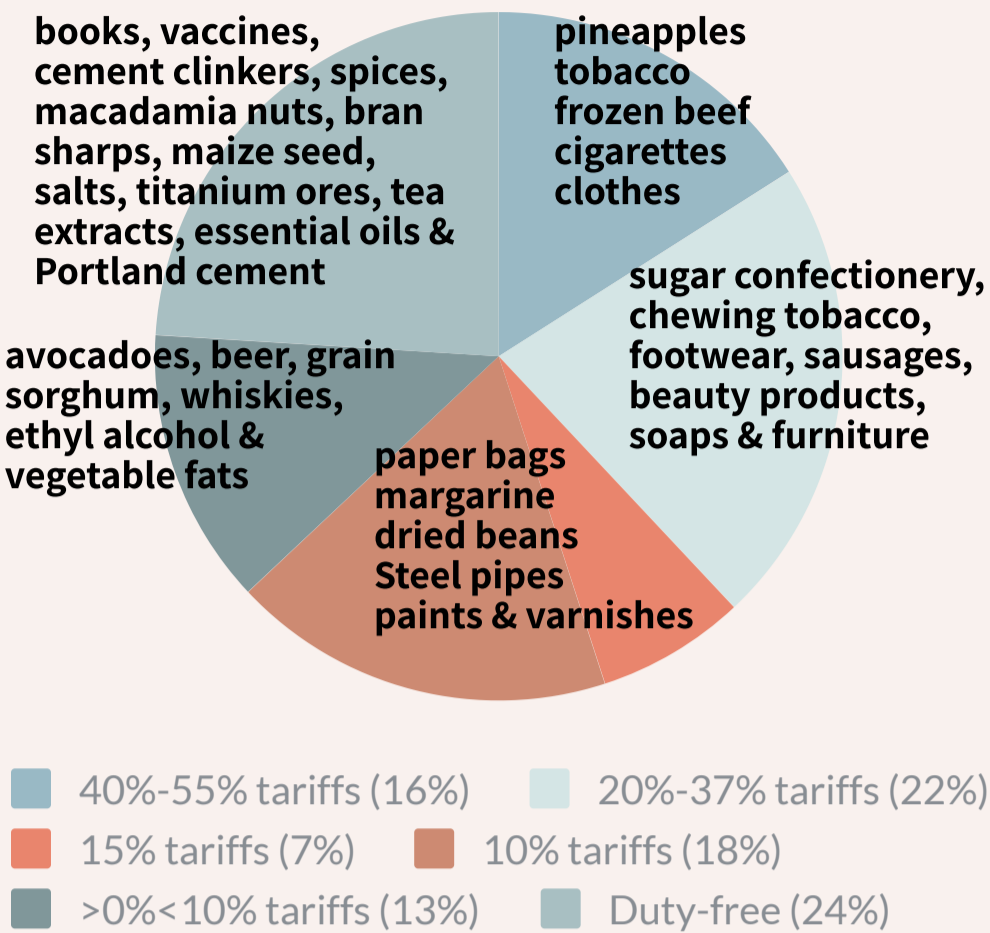
50% = tariffs 10% & lower

Why are these products not traded? Some are food & agricultural products where permits & SPS can play a role - palm oil, dried beans, vegetable fats, malt extract, bran sharps & vegetable seeds

Other goods include disodium carbonate, fertiliser components, printed books, vaccines, steel products, cement clinkers & medical instruments

SACU

122 products show potential for trade between Kenya & SACU. Most products have tariffs of 10% or less, so tariffs are not necessarily the obstacle.

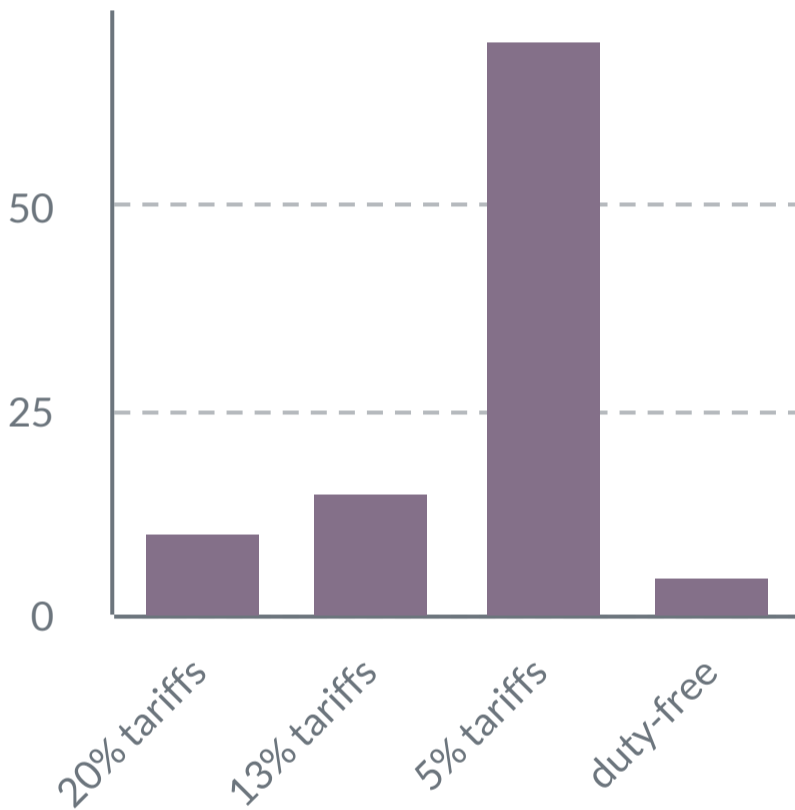


Numerous products show under-utilised trade potential. Some are agricultural/food products where health requirements can obstruct trade.

trade with Angola, Mauritania, Morocco & Mozambique



Duty-free (42.42%)
2% tariffs (12.12%)
10% tariffs (17.17%)
20%-30% tariffs (21.21%)
>50% tariffs (7.07%)

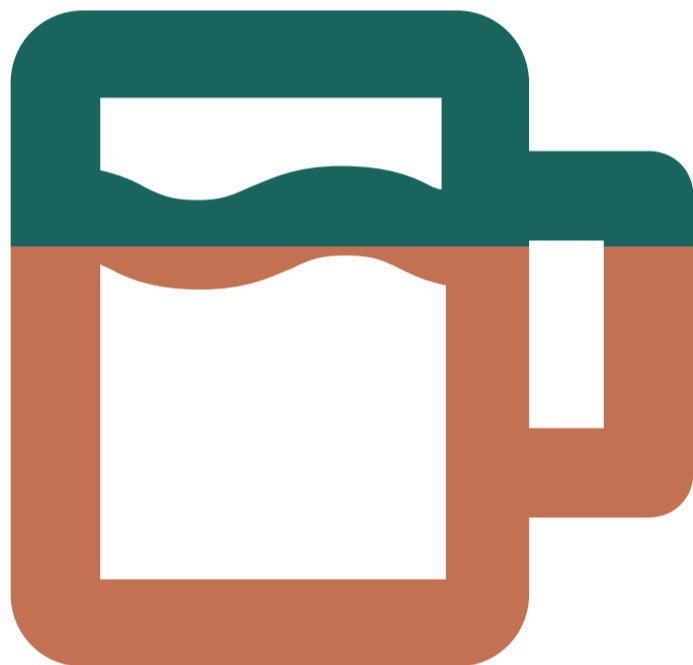


Mauritania
20 products



Morocco
96 products

>10% tariffs (46%)
3% & 10% tariffs (54%)



Mozambique
44 products

Products with high tariffs - cigarettes & whiskies (60% tariff); surface agents, onions & printed brochures (50% tariff); steel structures, beauty products, perfume & plastic household goods (30% tariff); and sausages, soap, sugar confectionery, chewing gum, soaps & steel bars and rods (20% tariff).

72 per cent of the 81 products have tariffs of 10 per cent or less. 42 per cent duty-free including palm oil, plastic bags, disodium carbonate, maize seed & dried beans. Tariffs are not chilling trade in these products. What are the key barriers?

Only 20 products show potential for increased trade. Most are levied a 5 per cent tariff.

5% tariffs

parts, cement clinkers, vegetable mixes, onions, and steel structures

13% tariffs

dumpers for highway use, palm oil, and electric control panels

20% tariffs

cigarettes, and indented steel bars & rods

Only medicines are imported duty-free.

Almost half of the products with trade potential are levied high tariffs. Most are sensitive goods.

- 49 per cent tariffs - whiskies & beer
- 25 per cent tariffs - clothing, steel structures, printed books, sugar confectionery, footwear, palm oil, and paints & varnishes
- 17 per cent tariffs - plastic items including household articles, lids, and packaging.

39 products = 3% tariffs

Crude palm oil, printing ink, paints & varnishes, glass flasks, dried kidney beans & peas, disodium carbonate, and maize seed

What are obstructing trade in these products?

20 per cent tariffs are levied beer, tea, t-shirts, cigarettes, and sugar confectionery.

Most products have low tariffs of 8 per cent and less.

cement clinkers, Portland cement, dumpers for highway use, paper packaging, onions, maize seeds, and palm oil.

Tariffs are not impeding trade. What are the trade barriers? Lack of trade in agricultural products can be due to SPS measures. Distance might be a factor, but both countries have commercial ports on major trade routes.

Similar products present opportunities for trade between Kenya and some African countries. Exports of some are limited by high tariffs in certain destination markets. These are often sensitive goods. More concerning, are the numerous products not affected by high tariffs. It is necessary to identify the trade barriers currently blocking trade.